TD 7.11: MA-06-0109-81-2

OCT 9 1981

U.S. Department
of Transportation
**Urban Mass
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Administration**

States in Public Transportation: An Analysis based on Nine Case Studies

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Report No.
UMTA-MA-06-0109-81-2

Office of Program Evaluation

by
Fred L. Williams

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PREFACE

This report was written by Fred L. Williams of the UMTA Office of Program Evaluation. It is based upon a series of case studies conducted over a two year period under the guidance of the Office of Program Evaluation. Jack Bennet of UMTA served as project manager together with Robert Casey of the Transportation Systems Center during this period, with assistance from Fred Williams. The firm of Peat, Marwick, Mitchel and Company served as consultant. James Holec and Michael Keough of PMM prepared the individual case study reports. LaTanya Thomas' skill in operating the Amtext 425 Word Processor expedited this product.

Thanks are due to many State officials who provided most of the information presented in this work.

INTRODUCTION

Concern over the increased costs of public transportation has led inevitably to interest in what State governments have been doing for public transportation. Specifically, UMTA's 1979 study of our Section 5 program involved a look at three State operating assistance programs: California, Minnesota, and Pennsylvania. Increases in funding and the scope of these programs encouraged a closer look, in 1980, of six additional State programs. The result is substantial preliminary evidence that States are now major actors and contributors in the transit industry. The remainder of this summary provides glimpses of this new role for State governments.

The major working hypothesis in the analytical work has been that State government has a unique constitutional and political status that gives it a "legitimate power to act" in many areas where Federal and local governments cannot act effectively. That is, State government may be uniquely suited to exercise control over costs, to adopt enabling legislation which leads to local initiative, to adopt equitable and efficient forms of funding allocation, and to efficiently program major projects over time.

Federal aid for transit has generally either failed in these areas or not tried for want of authority. Transit unit costs tend to increase to consumue Federal dollars. The Federal government has no "enabling" powers vis-a-vis forms of local transit finance. Federal government has not developed an efficient funding allocation method. The programming of major projects tends to reflect political expediency rather than method.

State governments are not immunized against these problems. It is unknown how the performance of State governments as a whole would compare with the Federal government on the efficiency of transit support. It is nevertheless clear that the Federal government is restricted by tradition and statutes from undertaking certain kinds of measures already in evidence in some State programs. States determine ceilings and types of local taxation, and the nature of quantity of local taxing jurisdictions. States have been willing to experiment with performance based allocation of transit funds and with performance audits, an area in which the U.S. DOT has been reluctant to act.

These observations neither confirm nor disprove the working hypothesis that State governments are uniquely suited in helping to improve public transit. The purpose of a working hypothesis is not to be confirmed or overthrown. Rather, it is to serve as a reference point around which to analyze the study findings. In other words, the findings of this study illustrate some activities in which States are suited to play a very important role and some activities in which States are not suited to play a new role. In either case, the findings suggest some optimal divisions of labor among Federal, State and local governments in supporting transit.

1. National Overview

A review of representative survey data collected at different points in time from the mid to late 1970's suggests the following general trends.

a. The number of states supplying aid to public transportation has increased steadily during the last decade.

b. Levels of state funding and activity are highly concentrated in transit intensive sections of the nation.

c. After increasing sharply during the past fifteen years, State financial support for public transportation is uncertain in the short-term future; the State share may be levelling off.

d. State public transportation activities have broadened to include, for example, statewide capital programming.

Administrative Forms

The evidence suggests a strong preference for a mixed (modal-functional) form in State public transportation administration. "Modal Administration" refers to the practice of establishing separate sub-divisions for each form of transportation, such as highways, airports, and public transportation "Functional Administration" refers to the practice of coordinating different "modes" under such standard functions as finance, planning, and policy. The mixture balances (1) effective interface with grant recipients and federal programs (i.e., U.S. DOT), (2) advocacy of public transportation goals, and (3) multimodal and comprehensive viewpoint regarding public transportation's role.

3. Capital Programs

Direct State participation and oversight of capital projects and programming appears to be on the increase as the competition among grantees for State funds increases; i.e., project prioritization is becoming increasingly necessary for State allocation decision-making. This is the outcome of a fifteen-year process of gradually increasing State financial commitment to public transportation capital projects. The high (80%) federal match has been a critical factor in stimulating this process. Evidence is adduced to support this causal inference. Increased State "participation" entails:

a. Development of State-level programs of plans and of capital projects;

b. Active and direct State assistance in the preparation of regional Transportation Improvement Programs (TIP);

c. State involvement throughout the federal grant application process; and

d. State evaluation of projects on their comparative merits within the State.

4. State Operating Assistance

State programs reflect both the desire to provide operating assistance and the fear of runaway deficits. General revenues have been the most common funding sources, although there is considerable pressure (from the transit industry) in favor of dedicated taxes. States tend to use the flow of State funds for the purpose of regulation (e.g., cost control) regardless of the funding device. States appear to be evolving in the direction of formula allocation of operating assistance. This is often called "performance based" but it is usually based on sheer "need" (e.g., previous year costs plus an inflation factor). Cost control is a growing concern of States which are providing operating assistance. The approaches to cost control are highly State-specific and little is known about the effectiveness of thee programs in controlling costs.

5. State Operations

In Maryland, the only State transit system operator included in this study, State ownership and operation seems to maximize State leverage over costs while also maximizing State liability for costs. There is no evidence in our work that State operation in Baltimore has had any effect on labor costs or labor productivity. In Massachusetts, State responsibility appears to be tantamount to ownership. The controversies in Boston reveal political and structural problems that are probably widespread though not as visible in other large cities. The state serves as an arena for the resolution of intense conflicts among jurisdictions (79) served by the Massachusetts Bay Transit Authority, an arena that might be compromised if the State owned the system directly.

6. Planning and Programming

The metropolitan planning process is a process in which States may exercise influence and otherwise participate in local public transportation development. Some States are well on their way to developing statewide capital plans which could eventually bring about the statewide coordination of metropolitan plans. Statewide transit programming, which seems likely to increase in the near future would be an interesting new development. Metropolitan Planning Organizations frequently provide a forum for State-local and inter-local issues resolution.

7. State Intervention

States appear to be well suited to centralize many of the resources and skills needed but otherwise not available to small transit operations. Many State public transportation activities take the form of technical assistance. At least two States, New York and Pennsylvania, have undertaken management and policy studies of very large multijurisdictional transit systems.

8. Rural, Elderly and Handicapped Needs

Public transportation for rural areas and specialized services for elderly and handicapped persons tend to be interwined for three reasons. First, in rural areas the beneficiaries are frequently elderly persons. Second, the two programs concerned with these needs (Section 16 (b)(2) and Section 18) are implemented by States. Third, many States consciously employ the two UMTA programs to supplement each other.

A primary issue in both programs is improved coordination of services that have predated the programs. If Iowa is indicative of other States, only a fraction of existing special services fall under current State "transportation" programs. The result can be uneconomical service. Fuller coordination will take years.

NATIONAL OVERVIEW

State government has recently become as important as the Federal and local governments in supporting transit services. State governments currently supply more aggregate assistance for the payment of operating expenses than either the Federal or local governments.* States also provide the major share of the nonfederal contribution to capital investment. State transit agencies have been established in all States which have one or more intensive public transportation systems (by transit intensity I mean a high transit share of journeys to work, generally in the top decile among urbanized areas). In 1980 there were about two State transit employees (not counting operating employees) for each Federal Urban Mass Transportation Administration employee. Much current innovation in paratransit, ridesharing, intercity networks, procurement, and performance monitoring and measurement is a result of State initiative. This activity attests to the ability and willingness of roughly half the State legislatures to finance public transportation. However, the remainder of the States appear to play only a marginal or negligible role in public transit, despite the existence of significance transit systems in some of these States.

Based on nine case studies, the present report describes some trends in State programs. The studies have been conducted over a two-year period, at first as part of an UMTA evaluation of its Section 5 operating assistance program. When increases in operating assistance became apparent, the "State studies" were expanded as a means of exploring State approaches to <u>all</u> aspects

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*Appendix 1 discusses the distinction between State and local taxation as it relates to public transportation.

of public transportation. Negligible State programs were not studied because the focus of the work was on the nature and operation of State programs rather than the whethers and wherefores of State programs.

The Background:

Transit has been beneficiary of the growth in State orientation to urban needs since the 1960's. George M. Smerk, in Urban Transportation: The Federal Role, published in 1965, advocated federal programs to support public transportation. His position was based in part on a perception that States were financially and politically unable to provide such support for transit and other urban programs during the 1950's-1960's. He attributed this inability and unwillingness to overrepresentation of rural interests in state government. Smerk speculated that the reapportionment decisions of the U.S. Supreme Court (in Baker vs. Carr in 1962 and in Reynolds vs. Sims in 1964), which established the principle of "one man--one vote" in State legislatures, might restore the capacity of States to contribute to the solution of urban problems (see Smerk, Chapter 5).

Re-apportionment of State legislative seats was carried out in the late 1960's and early 1970's. A resulting shift of seats to surburban districts has favored increased legislative response to needs of the urbanized areas, which often encompass surburban districts.

Total State payments to local governments increased from $7.7 billion in 1960 to $61.1 billion in 1977 (in constant dollars $7.7B to $29.9B)*. This fourfold increase demonstrates the increased State role in local finance. Aggregate State revenues increased threefold in the same period, from $35

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*GNP deflator, 1960 = 68.7, 1977 = 141.6. See Statistical Abstract of the United States (1979), p. 476.

billion in 1960 to $215.5 billion ($105.5B in constant terms) seventeen years later. Contributing to this growth was wider State use of sales taxes, some shift from sales and gross receipts taxes (which accounted for 30 per cent of State revenues in 1960 and for 24 per cent in 1977) toward individual and corporate income taxes (8 per cent in 1960 and 16 per cent in 1977) plus a large increase in Federal assistance to States. According to an Advisory Commission on Intergovernmental Relations (ACIR) report, "The relative growth...in the State and local sector since 1972 is primarily the result of increases in federal aid."*

In general, therefore, significant growth in State aid to localities since 1960 can be attributed to increased State revenues from taxes and from Federal aid to States. That much of this growth is in urban programs is partly attributal to improved urban and surburban representation in State legislatures through reapportionment.

The Growth of the State Role in Transit: A survey of State public transportation programs was conducted in 1975 by the North Carolina Division of Public Transportation; another one was conducted in 1979 by the New York State Department of Transportation, and a third was conducted by the American Association of State Highway and Transportation Officials (AASHTO) in 1980. These three studies provide a basis for analyzing state trends over a five year period.

The North Carolina sponsored study, entitled "A Survey of State Involvement in Mass Transportation," was based on a brief questionnaire completed by all 50 states. The survey showed that thirty States in 1975 had

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*ACIR, State and Local Finance in Recession and Inflation (1979), p. 3.

a division of mass transportation, 33 allocated State funds to transit, and States employed approximately 442 persons (the U.S. Urban Mass Transportation Administration--UMTA in 1975 employed about 405 persons). The total of States' budgets for public transportation in FY 1975 was approximately $931 million (compared with about $1.43 billion obligated by UMTA in FY 1975). Most State transit funds in that year were derived from general revenues; gasoline and vehicle taxes ranked second in importance. Of the fifty States, eighteen helped to supply matching funds in Federally funded capital assistance projects. The nonfederal share in such projects is 20 per cent of costs. Five States paid all the nonfederal share, five paid half the nonfederal share, and the remainder paid less than one-half the nonfederal share. Eleven States provided operating assistance in 1975. In this program the maximum federal share is one-half of the deficit; in transit intensive areas the federal allocation is generally well below one-half of deficit. The State share ranged from 100 per cent of nonfederal share in New Jersey and 67 per cent in Illinois to lower rates in the remaining states, including seventeen States with no transit budgets.

In 1975, thirty-five States had an active planning assistance staff; twenty-one States provided "in-house" transit studies for urban and rural areas. Thirty-six states provided resources to local areas for contracting out transit studies. Ten additional States in 1975 were in the process of developing planning assistance programs. Table 1 suggests the scope of State technical assistance across the country. The cells represent the number of States in the survey which responded to the given "degree of involvement" in each activity.

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Table 1: Extent of State Involvement in Selected Technical Assistance Activities

	Degree of Involvement			
	Minor	Moderate	Substantial	Total
"Operations"	7	8	4	19
"Maintenance"	6	5	3	14
"Management/Control"	7	10	3	20
"Marketing"	5	7	6	18
"Human & Tech Develop.	8	7	1	16
"Safety"	6	4	1	11

The North Carolina Survey supplies two principal findings: (1) by 1975 States were deeply involved in public transit financing, (almost $1 billion) although most of the funds were concentrated in a handful of large states which had funding levels in excess of $100 million (see Table 2), and (2) State involvement in mass transit in 1975 was broad in scope, involving all major functions of transit support. Again there was great diversity among the states.

Two subsequent surveys allow a rough comparison between State involvement in 1975 and in later years (about 1978 and 1979). A New York Department of Transportation survey of state operating assistance programs (using 1978 data) and a 1980 AASHTO survey of state transit programs furnish data that are crudely comparable to the 1975 North Carolina survey.

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TABLE 2: STATE PUBLIC TRANSPORTATION BUDGETS, FY1975

No Budget	Up to $100,000	Between $100,000 and $1 million	Between $1 million and $100 million	Over $100 million
Alabama	Arkansas*	Georgia	California	Maryland
Alaska	New Hampshire	Kansas	Pennsylvania	Illinois
Arizona	Maine	Montana	Massachusetts	New York
Colorado	Idaho	Kentucky	Michigan	New Jersey
Hawaii	N. Dakota	Utah	Virginia	(4)
Indiana	Mississippi	Oregon	Connecticut	
Iowa	Nevada	N. Carolina	Florida	
Louisiana	(7)	(7)	Wisconsin	
Missouri			Washington	
New Mexico			Minnesota	
Oklahoma			Ohio	
S. Carolina			Tennessee	
S. Dakota			Rhode Island	
Texas			Delaware	
Vermont			Nebraska	
W. Virginia			(15)	
Wyoming				
(17)				

* States are arranged within each category in order of magnitude of budget - highest at top of list (e.g. Arkansas), lowest at bottom (e.g. Nevada).

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The AASHTO survey did not ask how many states had divisions of public transportation. But 43 States gave figures for administrative budgets, the existence of which indicates an identifiable State transit entity--an increase from the 1975 figure of 33 State transit entities.

Table 3: State Transit Efforts, 1975 and c. 1980

	1975	c. 1980
No. of State Transit Divisions	33	43
State Transit Expenditures	$931M	$1,200M
State Transit Staff	440	1000
State Capital Assistance Programs for Urbanized Area Transit	18	21 or 23
Operating Assistance Programs for Urbanized Area Transit	11	20
No. of State Programs in Excess of $80M	6	7

SOURCE: North Carolina DOT (1975): New York State DOT (1978): AASHTO (1980).

State financial support levels for transit in 1978 and 1980 are understated in the NYDOT and AASHTO reports. The New York study covered only operating assistance programs and the AASHTO study did not uniformly cover operating or other assistance funded from State imposed local taxes earmarked

for local transit. An example of such a tax is the California Transportation Development Act fund, which in 1978 totalled about $166 million (See Appendix 1). The New York study showed a total of $913.5 million in State operating assistance in 1978; the AASHTO study indicated a program budget level of $1.048 billion, mostly for FY 1980. By comparison, total obligations by UMTA for the major capital and operating programs (Sections 3 and 5) in 1979 were $2.344 billion. Since the AASHTO data understates the total by at least $200 million in California alone, it appears that the overall state level of transit funding is approximately one-half that of the federal government. This would represent a significant declining share of State aid from about two-thirds of the $1.5 billion that UMTA obligated in 1975. This estimate of State capital expenditures is highly questionable, however, for lack of data.

State transit agencies nationwide employed approximately one thousand persons in 1980 (after discounting 2200 Maryland Department of Transportation operating employees), which is up from about 440 in 1975. The general revenue fund remains the primary funding source for state programs, favored in twenty states. State funding of Federal capital assistance programs increased from 18 in 1975 to 21 (Section 3) and 23 (Section 5 capital) in 1980. Forty states now participate in Section 8 planning assistance programs for non-urbanized areas. Where eleven States funded operating assistance in 1975 for urbanized areas (i.e., areas eligible for Section 5 funds), twenty did so in 1980.

It is not possible to explore the scope of State activities in 1980 in the same fashion as was done in 1975 (i.e., Table 1). However, the scope of State activities was recovered by the AASHTO study in terms of :areas" of activity, resulting in data in Table 4. If compared broadly with Table 1,

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Table 4: Areas of State Activity in 1980

	Number of States
Demonstration Projects	42
Planning and Research	44
Information Services	33
Intercity Bus	28
Commuter Rail	16
Ridesharing	42
Paratransit	29
Other	14

the frequency of State involvement generally indicated in Table 4 suggests more States doing more things in the transit field than was the case in 1975. In 1980, over 40 States participated in planning, demonstrations, and ridesharing as compared to a maximum of 20 States in 1975 participating in a field of technical assistance.

If the 1975 findings demonstrated that States were well into the provision of funds and staff support for transit, covering a wide range of activities, the 1978 and 1980 data indicate substantial absolute increases in funds and in the scope of activities. Moreover, State interest in transit has spread to more states, as shown in Table 5. Six states spent more than $109 million for transit in 1980. "New" States supporting transit--involving large amounts of program funding--included Texas ($50 million), Missouri ($600,000), Iowa ($2.4 million), Indiana ($4.3 million), West Virginia ($400,000), and Louisiana ($6.7 million). State involvement in transit still remains highly concentrated in transit intensive regions of the country, e.g., New York, Massachusetts, California, Illinois, Pennsylvania, and New Jersey. But it is

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TABLE 5 : STATE TRANSIT BUDGETS FOR FISCAL YEAR 1980*

No Budget	Up to $100,000	Between $100,000 and $1 Million	Between $1 Million and $100 Million	Over $100 Million
Wyoming	Alabama	Alaska	Indiana	California
(1)	Arizona	Missouri	Iowa	Pennsylvania
	Arkansas	Vermont	Louisiana	Massachusetts
	Colorado	West Virginia	Texas	Michigan
	Hawaii	Maine	Kansas	Maryland
	Idaho	Georgia	Oregon	New York
	New Mexico	Kentucky	N. Carolina	New Jersey
	Oklahoma		Virginia	
	S. Carolina	(7)	Connecticut	(7)
	S. Dakota		Florida	
	Mississippi		Wisconsin	
	Nevada		Washington	
	Montana		Minnesota	
	Utah		Ohio	
			Tennessee	
	(14)		Rhode Island	
			Delaware	
			Illinois	
			(18)	

*This Table is calculated on the basis of an interpretation of questionnaires returned to the American Association of State Highway and Transportation Officials (AASHTO) and published in Survey of State Involvement in Public Transportation (April, 1980). The Table is subject to large error in some individual States due to misinterpretation of questions or of responses.

clear that States not heretofore committed to transit are amenable to adopting transit legislation. This can be attributed, in part, to federal initiatives, especially the 80 per cent Federal matching share of capital costs, 50 per cent Federal matching share of operating subsidies and Federal Maintenance of Effort requirements .

In such transit intensive States as New York, Illinois, Massachusetts, Pennsylvania, California, and New Jersey, the State role is equal to the Federal role in terms of funding levels and scope of activities. Approximately 18-20 other states share the capital and operating costs of transit. The remaining States are involved marginally, through the Section 8 Planning, the Section 18 Rural, or the Section 16(b)(2) elderly and handicapped service programs. As a result of the varied levels of transit intensity and State involvement, a uniform "State role" cannot be identified for the country as a whole.

In summary, our review reveals the following:

1. The number of States in transit has increased during the last decade.
2. Levels of state funding and activity are highly concentrated in transit intensive areas of the nation.
3. State financial share of transit costs appears to be levelling out at about one-half the Federal share, in aggregate.
4. The scope of State transit activities has steadily broadened.
5. Insofar as Federal transit support in the past has been justified implicitly as a substitute for State governments that were not responsive to urban transit needs, this justification should be re-examined in the case of 20 to 25 States.

CASE STUDY FINDINGS

As mentioned earlier, this study began as part of a formal evaluation of impacts of the Federal Section 5 operating assistance program. A goal of Section 5 is the maintenance of State and local financial assistance for transit. Three State operating assistance programs were analyzed in 1979: Pennsylvania, Minnesota and California. A study of six additional States was undertaken in 1980: Illinois, New York, North Carolina, Iowa, Massachusetts and Maryland. The original Pennsylvania study was expanded. The States represent a range of transit support programs.

We collected and reviewed documents, and conducted 8 to 16 hour interviews with State officials, using a standardized open-ended interview format. The main objective was to supply descriptive detail, using a "State" perspective, while maintaining some sort of classification system - i.e., capital, operating, technical assistance and the like. The findings are not general. The main purpose of the approach is to identify issues that would be relevant to a wider reaching survey design. Each case study is presented individually in background reports.

Organizational Forms of State Transit Agencies

In a 1975 report entitled, "Toward More Balanced Transportation," the Advisory Commission on Intergovernmental Relations (ACIR) discussed the widespread creation of State departments of transportation subsequent to the creation of the U.S. Department of Transportation in 1966. The ACIR noted

that the more urbanized a State, the sooner it created a DOT. Of the first 13 states with DOTs, 11 were more urbanized than the 50-state median (p. 137). ACIR argued, furthermore, "that the DOT or no-DOT question at the State level is really a question of whether assistance to mass transit is to be provided " (p. 149). The early concept of "multimodalism" associated with State DOTs "really " concerned some sort of State commitment to mass transit. In the same report, the ACIR stated: "DOTs have been established as part of an overall reorganization effort, rather than for reasons related specifically to transportation problems and issues in 12 States (SIC)" (p. 138). State DOTs represent both the general strengthening of State Governors and the desire to better coordinate public transportation at the State level.

Three DOT organizational forms were identified in the 1975 ACIR study: functional, modal and mixed (i.e., some kind of combination of the previous two). Functional refers to a State DOT without a public transit division as such. In these States transit issues are dealt with by such functional offices as finance, planning, and programming. Under the modal organization, transit-related functions are incorporated in a transit division. The pattern for "mixed" forms is less clear, although the transit division tends to have substantially less than complete coverage of the transit field in the mixed form. Illinois, for example, has a public transit division without an independent policy and programming office; this function is performed in a separate division for all modes. Iowa, while appearing to be a modal organization, draws upon a DOT-wide pool of planners.

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Table 6: The Distribution of Case Study States Among State DOT Forms*

Modal	Mixed	Functional
Maryland	California	Illinois**
New York**	Illinois**	New York**
North Carolina	Massachusetts	
Minnesota	Pennsylvania	
	Iowa**	

* ACIR, Toward More Balanced Transportation, (1975), p. 142.

** Illinois has moved to "mixed," New York to "modal," and Iowa considers itself "modal".

In 1979, 23 State DOTs had adopted the "mixed" form of administration; 11 DOTs were modal and 5 were functional.* Exhibit 1 illustrates the three forms. Oregon's modal form is highly simplified. The functional example of New York (no longer in force, since reorganization into a modal form in July, 1980) illustrates the absence of any modal subdivision, since the functional responsibilities for each mode are diffused throughout the Department. Under New York's old form the New York area system (MTA) worked directly with the Bureau of the Budget in Albany, thus bypassing NYDOT. Massachusetts is "mixed." One "tip-off" of the "mixed" approach is the existence of two divisions relating to transit: one for the major systems and another as part of a broader function that takes care of smaller operations.

Officials in New York expressed the view that in changing from a functional to a modal form, a general passenger transportation outlook tends to become supplanted with a public transit advocacy viewpoint. The officials added that this change may be offset by a better program administration and improved interface with both federal officials and transit operators. The high frequency of mixed administrative forms reflects a desire to balance the advantages of both extreme forms.

Exhibit 2 shows New York State's newly created Transit Division under the modal DOT after July, 1980 and Illinois' Division of Public Transportation under the "mixed" form. Illinois' transit division is able to play the role of advocate without compromising multimodal coordination which is lodged in an umbrella Policy and Programming Office, which budgets the programs for Illinois DOT as a whole. New York State's transit division, by contrast, incorporates all facets of transit policy and programming.

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*The Book of the States (1980).

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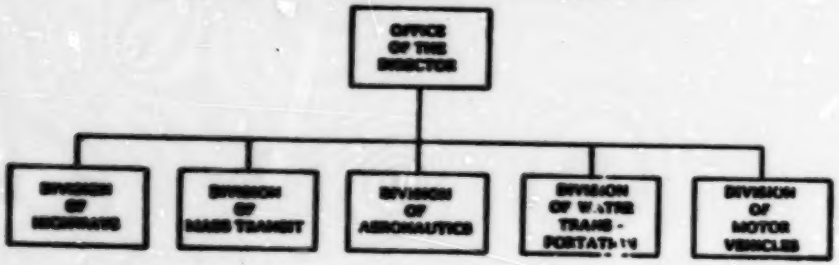
Exhibit 1 : Organization Forms of State Departments of Transportation

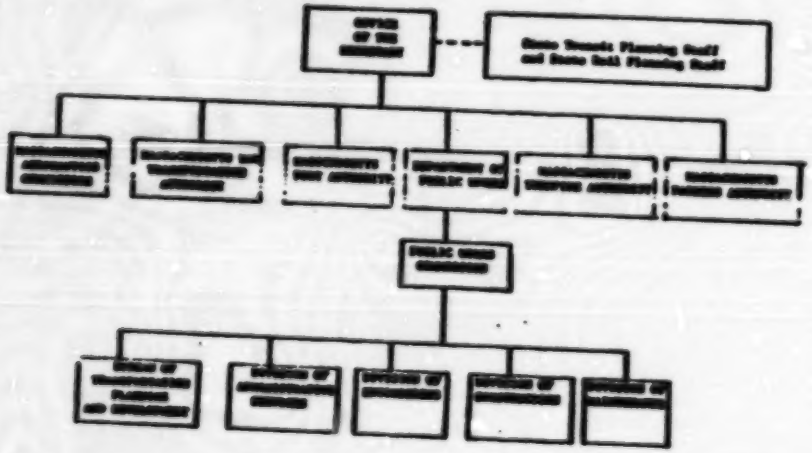
MODAL

ORGANIZATION CHART OF THE OREGON DOT



MIXED

Massachusetts Executive Office of



FUNCTIONAL

ORGANIZATION CHART OF THE NEW YORK DEPARTMENT OF TRANSPORTATION

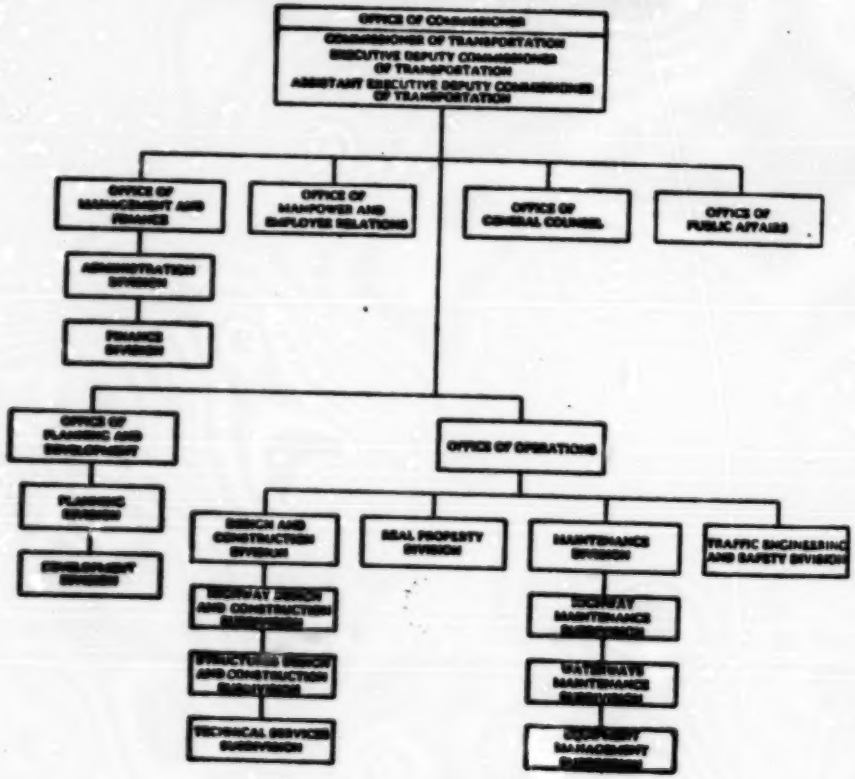


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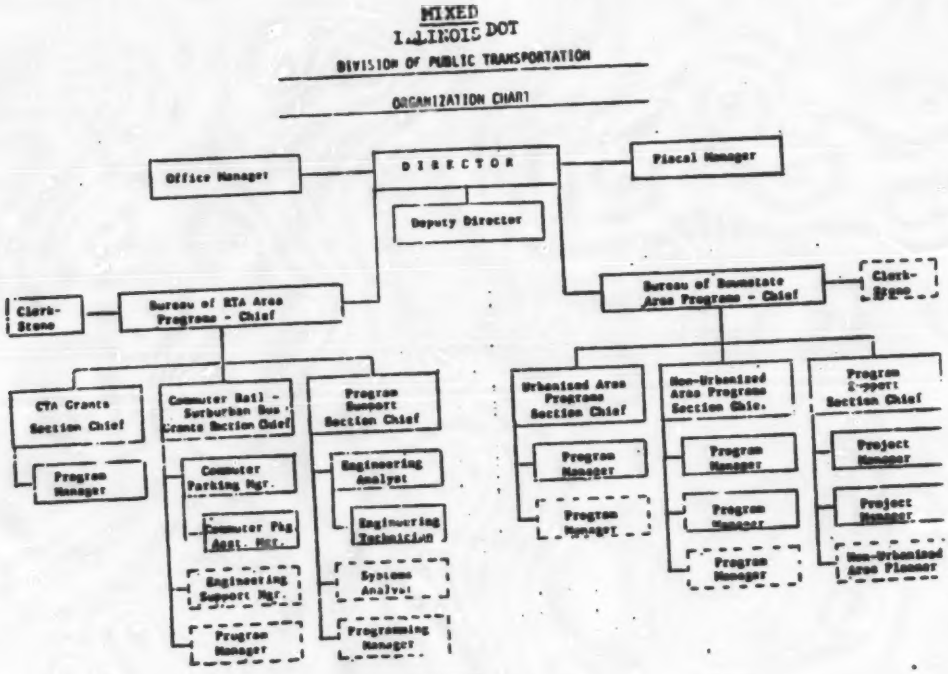
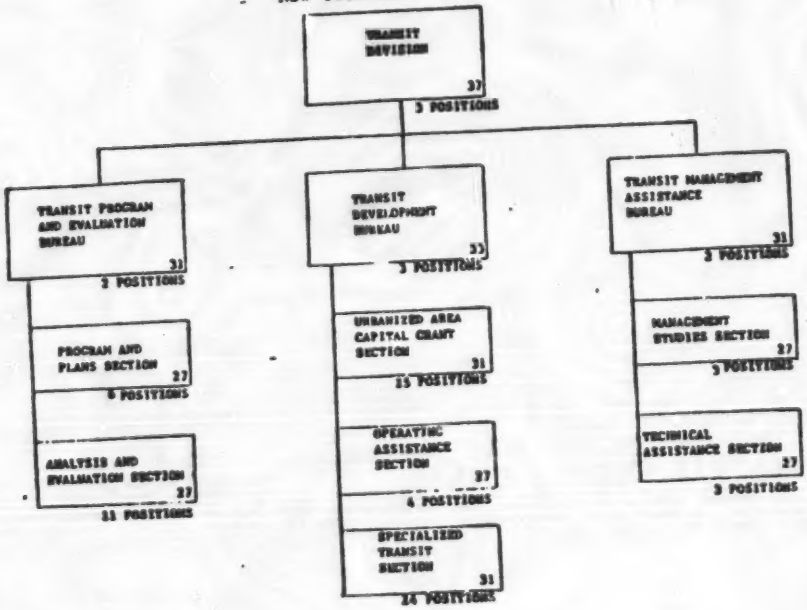
Exhibit 2: Modal and "Mixed" State DOTs



MODAL

New York State DOT



AASHTO (1979), as cited in the Book of The States, p. 389 (1980). In summation, the frequency of its adoption (59%) suggests a strong preference for a mixed (modal-functional) form in State transit administration. This form balances (1) effective interface with grant recipients and UMTA, (2) advocacy of transit objectives, and (3) multimodal and comprehensive coordination.

Capital Assistance

It is difficult to document aggregate amounts of State capital assistance without ready access to year by year project expenditure data, since many transit projects are multiyear in nature. However, the high level of funds for capital assistance in transit intensive States is suggested by New York State's expenditure of $1.322 billion statewide from 1967 through 1980, as compared with $2.162 billion expended in New York State by UMTA from 1964 through 1980. Capital assistance in such transit intensive States as Pennsylvania, New York, Massachusetts and Maryland date from the late Sixties.

Nearly all the early capital support from the transit intensive States took the form of multiyear bonding authority. Since 1974 Illinois has provided $475 million in bonding authority for transit; New York State provided $1 billion in 1967; the Maryland Mass Transit Administration currently has $1 billion in bonding authority. Other kinds of funding have generally followed suit. New York State provides capital funds from general revenues and bonding authority; California does so out of earmarked sales and motor fuel taxes; the Maryland transportation fund is available for capital projects; Iowa's $2 million annual transit appropriation is for either capital

or operating costs; Illinois uses general revenues. Massachusetts still restricts its capital support for the Boston System (MBTA) to bonding authority.

Four of the five transit intensive State in our study cross-section show high State shares of the non-Federal contribution on capital projects: Pennsylvania, 83.3 per cent; Illinois, 100 per cent, New York, 75 per cent; and Maryland, 100 per cent. None of the five has shown a tenency to decrease its share; two recently increased it.

With a combination of bonding authority and other funds the case study States historically have been able to provide the locally requested State funds for nearly all UMTA-approved transit capital projects. Until 1979 or 1980 these States have generally reviewed projects only superficially since the 80 per cent Federal share induced State funding availability in excess of local claims on these funds. Even if the demand for funds had exceeded supply of State funds, the lack of skills, experience and project specific knowledge at the State level would have precluded effective oversight. So as a rule, Federal approval has been tantamount to State approval for transit projects using State funds (the fact that formal Federal project approval requires prior State-local financial commitment is beside the point).

At present this rule is changing as a result of four developemnts:

1. Tax and spending control measures recently adopted in a number of States are likely to restrict future growth in State capital funds for transit.
2. The number of candidate transit capital projects has increased at a high rate in recent years and now exceeds State transit capital resources.

3. In some areas, notably New York City, existing bonding authority is near exhaustion, necessitating new State transit capital legislation.
4. The increasing share of non-Federal matching funds.

Thus, the need for management of State transit capital funds has increased. The response has been to: (1) increase State participation in project development from planning to completion and (2) adopt State urban transit capital plans independent of substate planning processes.

The Illinois Public Transportation Division has been drawn into the planning process as the level of State financial participation has increased to 100 per cent of the nonfederal share. In effect the State has had to take specific steps to husband its funds. It is generally not feasible for the State to await a budgetary stage and then veto a project. To exercise its influence the State must be a full participant in the key stages of project development.

This kind of change is anticipated by New York State officials when New York City current bonding authority runs out, in the next couple of years. State evaluation of capital projects currently exists for "upstate" New York's transit system. Like Illinois, New York State has learned that there are powerful incentives for the independent development of State capital priorities in transit. New York State's Transit Bureau is developing statewide standards for evaluating capital projects in terms of consequences, e.g., improved service reliability as measured by passenger time loss if a project is not completed. As suggested below, New York State is already involved in all stages of project development.

New York State's Capital Program: The NYDOT's Urbanized Capital Grant Program was authorized by the 1967 Transportation Capital Facilities Development and Bond Acts and the 1974 Transportation Law. The capital grant program is administered by the Urbanized Area Capital Grant Section of the Transit Development Bureau (The appellations have changed as a result of the July, 1980 reorganization) . The program area responsibilities of this section are bus, subway and commuter rail programs in the New York City Metropolitan Area; and the bus and subway programs in upper New York State metropolitan areas. Specific State functions relating to the program administration include:

- preparing project justification requirements and the overall schedule for the annual development of the capital project budget; coordinating these efforts with the systems sponsors, regional offices and other main office participants;
- performing all administrative actions associated with State-funded projects; e.g., grant agreement execution, review and approval of specifications and bid solicitations, subsequent contract approvals, payment requests and project closeouts;
- participating in the engineering and design studies associated with candidate capital projects;
- developing specifications governing purchases of new equipment included in capital grant programs;
- providing comments and recommendations on policy and program directions;

- monitoring project progress to ensure conformity with completion dates of various phases of those projects; initiating follow-up action, when necessary, to adjust or enforce compliance with completion dates.

In Massachusetts, the Massachusetts Bay Transit Authority (MBTA) is left to set its own capital programming, using funds from bonds and notes. The remaining authorities in the Commonwealth, the Regional Transit Authorities (RTA), are apportioned loan reservations from a $20 million fund (in 1980), which each RTA may use for any capital project which has federal financial support. Although the Commonwealth Executive Office of Transportation and Construction (EOTC) reviews MBTAs annual budget, the EOTC apparently has no specific role in capital projects. (This may result from the MBTA's and the RTAs' inability to acquire federal funding to match available non-federal funds on a four-to-one ratio). A surplus of non-federal funds occurs as a function of two factors: (1) the transit authorities do not expend funds unless they are able to get 80 percent of costs from the federal government and (2) bonding authority and the issuance of bonds are far less painful than the appropriations process out of which operating assistance is funded each year. Thus, Massachusetts has been highly interventionist when it comes to operating assistance, in which funds cannot meet demands. (See the section on State operations). But there is no comparable level of activity on capital funding, in which supply exceeds demand.

Less transit intensive States participate less in capital projects then States like New York, but this is likely to change. North Carolina, for instance, has had sufficient funds to provide 50 percent of the nonfederal

share for all federally approved projects. North Carolina's Division of Public Transportation has funded all projects approved by UMTA and its review process is almost solely administrative. However, State officials have stated that they would consider initiating project evaluation if State funds in the future were to fall short of the match required for meeting federal approvals.

Iowa already has a level of needs that exceeds State transit funds ($2 million per year since 1977) by 50 percent. The assistance program is completly discretionary and covers both operating and capital project assistance, up to two thirds of the nonfederal share. A fifteen item list of statutorily required "considerations" guide the Public Transit Division (PTD) in its State capital and operating grants:

- development of transit service for the general public as well as specialized segments.
- protection of the rights of private enterprise.
- ratio of revenue to expense as measured against statewide average for similar systems.
- per capita local subsidy as measured against statewide average for similar systems.
- ratio of overhead expense to total budget as measured against statewide average for similar systems.
- per capita revenue miles as measured against statewide average for similar systems.
- decreased operating costs through capital equipment acquisition.

- cost of service provided by private enterprise versus public agency cost.
- average cost per revenue mile as measured against statewide average for similar systems.
- plans for consolidation and coordination of transit services provided by the applicant agency with various other publicly-funded agencies in the service area.
- cost reduction and consolidation.
- projected ridership increase and justification of projections.
- plans for serving specialized segments of the general population who are transportation disadvantaged; and,
- local goals and objectives which are specific and measurable.

Each of the eligible recipients receives a funding mark (estimate) based on: (1) the system's needs, (2) available resources (including non-DOT programs), and (3) its previous record of funding and performance. State assistance grants are then awarded based on PTD consideration of these individual factors on a system by system basis.

State participation in capital projects and progress of projects has given rise to the pursuit of distinct statewide transit goals over and above planning goals. Three examples follow:

1. In California, the "620" statute allows gas tax funds to be used for transit capital projects provided, for instance, that the grant recipient not enter into labor contracts which prohibit part-time labor or service subcontracting.

2. The State of Pennsylvania has applied to UMTA for the purchase of one thousand new buses to be distributed in lieu of individual bus replacement grants; a State bus rehabilitation program is now in place as well.
3. Minnesota's legislature in 1979 stopped a Downtown People Mover project planned for St. Paul as part of a National UMTA Demonstration Program. Minnesota refused to fund half the nonfederal share (i.e., 12%) for the project.

In summary, State participation in capital projects appears to be increasing as the competition for limited state funds increases; i.e., as project prioritization becomes necessary for state allocation decisionmaking. This is the outcome of a fifteen-year process of increased state financial commitment to transit capital projects. The high (80%) federal match has been a critical factor in stimulating this financial commitment. This causation is inferred from four observations. First, the histories of State transit bills reflect the desire to acquire a high ratio of Federal to State dollar contributions. Secondly, State legislation often logically connects with the relevant Federal legislation and the matching ratio, e.g., one-half the "non-Federal" share of projects. Third, seldom does the State contribution either exceed or fall short of the needed non-Federal match. Finally, Federal project approval has been tantamount to State support--the reverse has not been true--although State support is often necessary, it is seldom or never a sufficient condition for Federal grants.

Increased State participation entails:

1. Development of State level programs of plans and of capital projects;
2. Active and direct state assistance in the preparation of regional Transportation Improvement Plans (TIP);
3. State involvement throughout the federal grant application process;
4. State evaluation of projects on their comparative merits.
5. Conditions on receipt of State capital assistance.

State Operating Assistance

State operating assistance programs to keep transit services are popular with many urban and suburban legislators. But few are unaware of the risk of such programs becoming "bottomless coffee cups" for State funds. As a consequence State operating assistance programs tend to contain provisions to protect State dollars.

Table 7 lists State operating assistance programs identified by the New York State Policy Planning office. Two States have significant programs in 1971. Twenty-three states are identified as having programs in 1978. Funding levels range from $150K or 20 cent per capita in Montana to $166 million or $7.58 per capita in California. Sixteen States use general revenues, which are subject to annual appropriation in most cases. Ten use sales, motor fuel, excise, or user taxes, which tend to be earmarked for transit; some States use a combination. Because of the predictability of dedicated revenues, they are often preferred by transit operators. The two largest transportation funds in Table 4, California and Illinois, are identified as "state administration of local funds," since:

1) The 1/4 per cent sales tax revenues for California's fund is returned to the jurisdiction of origin, earmarked for transit first and other transportation purposes with any surplus.
2) Each grantee is limited to 1/32nd of the Illinois State sales tax collected in its service area, unless the Downstate Public Transportation fund has a surplus from another service area, in which case transfer of funds from another county is allowed.

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Table 7: State-Level Transit Operating Assistance Programs, 1978

State	Source 1/	Approximate Funding (1000's)2/	Per Capita3/ Aid
California	Sales Tax	166,000	7.58
Connecticut	General Rev.	34,000	10.94
Delaware	Gen. Rev., Excess Turnpike Rev.	1,376	2.36
Illinois	Sales Tax, MV Regist.	162,300	14.43
Indiana	General Rev.	4,250	0.80
Iowa	General Rev.	1,950	0.68
Louisiana	General Rev.	6,200	1.58
Maryland	MV Tax, Gas Tax	12,691	3.07
Massachusetts	Cigarette Tax	92,644	16.02
Michigan	Motor Fuel Tax	26,626	2.92
Minnesota	General Rev.	14,850	3.74
Missouri	General Rev.	550	0.11
Montana	Gen. Rev., Gas Tax	150	0.20
Nebraska	General Rev.	1,625	1.04
New Jersey	General Rev.	73,000	9.96
New York	General Rev.	146,957	8.20
Ohio	General Rev.	10,408	0.97
Oregon	General Rev.	270	0.11
Pennsylvania	Lottery, Gen. Rev., Bonds	95,950	8.14
Rhode Island	Bonds, Gen. Rev.	2,912	3.11
Tennessee	Highway User Tax	250	0.06
Washington	Motor Veh. Tax, Excise Tax	49,714	13.59
Wisconsin	General Rev.	8,750	1.88

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1. G.M. Smerk and J.A. Reed, "State Transit-Management Assistance to Local Communities," Draft Report for NCHRP Project 20-5, Topic 10-11, July 1979.

2. ibid; and summarized from the Supplemental Survey of State Operating Assistance Programs for Public Transit, by the New York Department of Transportation, 1979.

3. Calculated by the author.

NOTE: The Spearman's Rank - Order Correlation between the above funding levels and the respective States' commercial bus fleets in 1978 (including transit buses) was rs = .604, which was significant at .001. This is a significant but not a strong correlation between the relative importance of transit and relative State support.

In these two cases, as in other States, it appears that the source of revenues is of secondary importance to the State's ability or desire to regulate in the field of transit operating expenses. California is currently utilizing a performance auditing system to monitor grant recipients. Illinois in 1979 instituted a cost-based funding approach designed to control costs (substituting one-third costs for two-thirds of deficit as the funding limit).

The funding levels in Table 7 were rank-order correlated with State bus fleet sizes, as a surrogate for service levels, to determine the strength of the relationship. The resulting score ($r_s = .604$) is statistically significant but not strong. In other words, relative transit service levels alone are a poor predictor of relative State transit support, although service level is a significant factor. Eight States with fleet sizes among the top half in the country provided no operating assistance in 1978; all these had fleets in excess of 1,000 buses.

The problem of allocating State operating assistance among applicants has been a major pre-occupation of State officials in recent years. Two basic approaches cover the States examined in this study. One approach divides the operating assistance program into (a) the one or two very large or intensive transit systems and (b) the remainder of the systems in the State. This approach tends to reflect the State's role as one of provider of general support to localities. In such circumstances , the State's goals for public transportation may be incidental to its general goal of responding to urban needs as articulated by local interests. In a typical case, the assistance

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*The Illinois program was under revision as of June, 1981.

for a given urbanized area is a line item (or even a separate bill) in the State's urban or transit budget. The State of Minnesota, for instance, legislates and allocates for the Minneapolis-St. Paul system directly. Historically, this has been New York State's approach to its larger cities . This 'divided' program approach allocates operating assistance in the same manner as capital assistance. The funding levels are a function of uncertain political variables in State legislature and local priorities. Maryland's purchase of the Baltimore transit system in 1968, for instance, was predicated on the tenacity of a coalition of suburban legislators from Baltimore and the Washington D.C. metropolitan areas. That arrangement required permanent State commitment to operating assistance in Baltimore.

The second approach applies a formula more-or-less equally to all recipients, limiting State operating assistance by the formula allocation. The formula approach seems to be the preferred option. That is, the States in this study tend to be moving toward a formula approach. This often is done under the name of "performance measurement." Pennsylvania's operating assistance program, for example, is often cited as an effort to fund transit on the basis of performance. Yet all but ten per cent of the formula is based on the previous period's cost, i.e., as a measure of need. New York, Illinois, Massachusetts, California, and Iowa award grants using some mix of need and performance rating in their approval of projects.

At least two States mix the two approaches. Illinois* and Massachusetts legislate explicitly for Chicago and Boston, respectively, while applying formulas in the remaining jurisdictions. The Chicago area Regional Transportation Authority (RTA) is authorized to levy a transit sales tax of one-quarter per cent in suburban counties and one per cent in Cook County in lieu of the State subsidies that are supplied to the remainder of Illinois. The Illinois formula incorporates performance factors as well as population, transit need, and share of the tax payments that support the fund. For the Massachusetts Regional Transit Authorities (RTA's, which serve the jurisdiction outside of the 79 cities and towns served by the Massachusetts Bay Transit Authority (MBTA)) and the MBTA, the legislature annually appropriates a sum of "contract assistance" to reduce the MBTA's deficit and the RTAs receive contract assistance under separate legislation.

There are four characteristics that most formula programs seem to have in common. First, the initial use of the formula avoids penalizing any transit provider. Secondly, there is often some form of classification by size or other consideration to avoid unfair comparison among grant recipients. Third, some portion of the funds destined for the operator is segregated from the effects of the formula (using last year's cost as a base of a guaranteed level is one way of accomplishing this). Fourth, the adoption of a standard generally implies some kind of distinct State objectives in the public transportation field.

State Formula Factors: Each State we studied has a unique formula, addressing disparate objectives, which affects the allocation of operating assistance:

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*The Illinois program is under major revision at present; the Regional tax for the Chicago suburbs appears to have been insufficient.

Pennsylvania DOT funds 90 per cent of "need" (previous period costs plus infation factor) and a 10 per cent bonus amount for efficiency and effectiveness improvements over the previous period.

New York State's formula funds on the basis of the size of operations, as measured by vehicle miles and passenger miles. A supplemental fund is used on the basis of certification by the Transportation Commissioner that the system is efficient. Ninety-five per cent of the funds in the base formula is expended in the New York City area.

In its downstate program (the Chicago region has taxing authority in lieu of State subsidy) Illinois funds 1/3rd of eligible operating cost, within the limit of 1/32nd of State sales taxes collected in the service area or jurisdiction.

California turns 1/4 cents of the State sales tax (0.25% of sales) back to cities and counties earmarked for transit and related uses.

Minnesota legislates an amount per passenger each year for the Minneapolis-St. Paul transit system, e.g., 49 cent per rider, total of all Federal, State and local operating subsidy.

Iowa's operating assistance program, as discussed in another section of this report, is completely discretionary, although by law a

State Operations

Several States either operate or contract directly for transit services. The concept of State ownership and operation of transit is likely to be an option entertained in the years ahead by more States. The subject therefore warrants far more attention than is provided here. Maryland was selected as a case study because it owns and operates the Baltimore system. A strong case could also be made that for all intents and purposes Massachusetts owns and operates the Massachusetts Bay Transit Authority (MBTA). We will return to this after discussing Maryland.

In 1968 the State of Maryland bought the Baltimore transit system. This was agreed to by Baltimore officials on condition that the State assume responsibility for all the system's deficits and construct a rapid rail system for the city. The system was initially managed and directed by the Metropolitan Transportation Authority (the "old" MTA) which in 1970 as the Mass Transit Administration (the "new" MTA) came under the newly created Maryland Department of Transportation.

Maryland officials cited certain advantages and disadvantages of State transit ownership and operation, for purposes of this study. On the one hand, State ownership frees the operation from oversight by other State agencies such as the Public Utility Commission, decreases the influence of parochial local or sublocal interests in favor of metropolitan-wide interests, and tends to spread the costs statewide, thus lessening the financial burdens in the service area.

On the other hand, State ownership has brought transit employees under coverage of State Civil Service requirements, which retard personnel actions.

Also, much of the political pressure that would be otherwise exercised at the local level gets transferred to the Maryland State capital. Powerful State legislators often have no sensitivity to transit issues which are germane only to urbanized areas. State-owned and operated transit has more difficulty mobilizing local political support than would locally owned transit. Whether this list of pros and cons would apply elsewhere is a question worthy of further detailed study.

Maryland's answer to the financial collapse of transit in Baltimore was an unusual one; no other State in our study has gone quite so far. But the recurrent financial crises in recent years of the Massachusetts Bay Transit Authority (MBTA) have provoked a State response which may be the functional equivalent of State ownership.*

The MBTA's Board Chair and Chief Executive Officer is appointed and removable by the Governor . The Chair is automatically occupied by the Secretary of the Cabinet level Executive Office of Transportation and Construction (EOTC). Thru the EOTC Secretary, the Commonwealth has power to review the MBTA budget and make recommendations to the MBTA Advisory.

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*James P. Womack and Alan A. Altshuler, An Examination of the Transit Funding Process at the Local Level, (UMTA, 1979), p. 41.; In December, 1980 the MBTA structure was revised to separate the Chair from the Chief Executive Officer

Board (i.e., members from the 79 jurisdictions in the service area). Furthermore, the State Treasurer is responsible for covering shortfalls of the MBTA, shortfalls the Treasurer assesses on the 79 jurisdictions -- an amount previously approved by the Advisory Board. Finally, the cost to the Treasury, i.e., to the served areas, is "reduced" one-half each year by the legislature through contract assistance administered by the Executive Office of Administration. The system is more complex than suggested here, but the point is that the State has quasi-ownership of the system through several mechanisms.

Although Massachusetts is apparently reluctant to own the MBTA outright, the MBTA is almost a State agency. In the latest of several crises (December, 1980) the legislative bail-out included labor provisions, normally a preserve of management and organized labor. According to the New York Times account:

> "There are provisions [in the legislation] to eliminate a requirement that one man be provided for every two subway or trolley cars, to give management almost full control over overtime and work assignments and the right to use part-time help, and to form a joint management--labor committee to determine productivity and maintenance standards."*

In light of these indications of continuing State intervention in the operation of the MBTA, why the State does not assume control in a more formal

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*December 8, 1980.

way is a question worthy of further study. Is State ownership a self-defeating proposition?

In sum, State transit system ownership and operation in Maryland seems to increase State liability while potentially increasing State influence over costs. We do not know if State operation in Baltimore has had any effect on labor costs or labor productivity. In Massachusetts State involvement seems to be ownership in everything but name. As a service to States considering this option, State ownership of transit operations should be examined in depth.

The State in the Planning Process

States participate in the metropolitan area-wide planning process through State representatives on the boards of Metropolitan Planning Organizations (MPOs). In smaller urbanized areas, (less than 200,000 population) it is not unusual for the State to supply a good deal of planning assistance, funds, facilities, and personnel. Iowa, for instance, dispatches and details State employed planners to its cities and towns. In general, it appears that the degree of State influence in the planning process is a function largely the philosophy held by relevant State officials.

In Illinois, early involvement in the planning process is considered essential to the wielding of State influence over projects. In Maryland, the State has no choice but to be involved through its Baltimore transit operation and through the staffing out of the Baltimore Regional Planning Council. One

New York State official remarked that the Transportation Improvement Plan (TIP) was a wish list that did not necessarily guide State funding actions, apparently implying that planning is a pro forma exercise in that State. Just as it would be politically naive to expect the TIP to guide State funding action unilaterally, it is simplistic and an exaggeration to say the TIP is merely a formality in general. The fact that the planning process is attracting more active participation over time is evidence that the process makes a difference; perhaps not always a rational difference, but at least a political difference. Such institutions as system-wide planning require decades to gain the necessary legitimacy. The trend seems to be in the direction of increased State influence in the regional planning process, as the State impacts of metropolitan projects increase over the years, and as State capital funding begins to fall behind in meeting all of the funding requests.

Both Chicago and Baltimore have large amounts of their Metropolitan Planning Organizations' staff work done by their respective State Departments of Transportation.

The Chicago planning body is called the Chicago Area Transportation Study (CATS),. CATS is directed by a policy committee of local officials. Recommendations and the Transportation Improvement Plan (TIP) are developed by the "work program committee" which is composed of representatives from public and private carriers, Illinois DOT, and county officials.

According to State officials, the work of this committee is done by staff from the Regional and Chicago Transportation Authorities (RTA and CTA) and Illinois DOT. In the past the RTA would submit a program for endorsement to the work program committee, in effect setting the parameters of the plan. This procedure has been changing recently. The State program of projects now is different enough from the Chicago planning body's TIP such that some Chicago projects may not secure State funding. The major catalyst for this change has been the State legislation to provide 100 percent of the nonfederal share for capital projects.

In Baltimore, State ownership and operation of the major system create an unusual planning situation. The Regional Planning Council (RPC) consists of the executive officers of the political jurisdictions in the Baltimore urbanized area. The Maryland Secretary of Transportation is an ex-officio member. A Transportation Steering Committee (TSC) directs the Planning Staff and presents final proposals to the planning board. The Secretary is a voting member of the Steering Committee which is portrayed in organizational diagrams

as subordinate to the Maryland DOT. Given Maryland's budgetary power vis-a-vis Baltimore transit, it stands to reason that few projects are approved by TSC that are not already in the State budget. The RPC has veto power, however. This balance creates an intense interaction that is apparent in the Baltimore planning process.

Pennsylvania, New York, Illinois, and Maryland in the group of nine States examined here have taken steps to increase Statewide planning of urban capital projects. Pennsylvania's procedure suggests one model for project planning at the State level. The Pennsylvania Department of Transportation is responsible for planning (or for coordinating the planning) for all modes of moving people and goods within the Commonwealth. Within Pennsylvania DOT, transit planning for urbanized areas is the primary responsibility of the Bureau of Advanced Planning in cooperation with the Bureau of Mass Transit Systems. The programming phase consists of translating the mass transit capital needs identified in the Transportation Improvement Program in urbanized areas (TIPs) into a statewide program reflective of need, priority, and availability of funding. Projects included in the Commonwealth's Six Year Transportation Program--Mass Transit must be based on a plan or program developed through the regional planning process and adopted by the designated Metropolitan Planning Organizations (MPOs). The Bureau of Advanced Planning serves as the liaison with the MPO. The Six Year Transportatio Program--Mass Transit, and changes thereto, are presented to the State Transportation Commission. The State Transportation Commission, established in 1970, is responsible for reviewing and adopting the Program. Following the

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recommendation of the State Transportation Commission, the Program and any changes are approved by the Secretary of Transportation. The Program then serves as the basis for developing the State's capital budget in support of the Capital Grant program.

The current study merely skimmed the surface of the metropolitan planning process, and only that portion touched by State influence. It should be noted that MPOs are designated and exist by virtue of State action and that the State is represented on the MPO board. Just as the influence of the MPO may be in part a function of reliance upon it by local elected officials, the future status of MPOs could be determined by whether States see MPOs as useful instruments of State goal attainment. A study of MPOs currently underway by UMTA's policy office may shed some light in this area of State--MPO relations.

In sum, metropolitan planning appears to be a critical channel by which states may exercise influence and otherwise participate in transit development. Some states are well on their way to developing statewide capital plans which will eventually bring about the statewide coordination of metropolitan plans.

State Intervention

During the past decade many State transit divisions have been in an embryonic stage of development. They usually began as a mere grant administration adjunct of a highway division or policy office. Later they became privileged members of new State departments of transportation. Only

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recently have state transit divisions been viewed as independent voices in the development of State legislation.

State influence is steadily increasing with regard to the large programs and the very large projects in the major cities. Also, in a rapidly increasing number of smaller cities State transit officials appear to be key decisionmakers and resource people for local transit.

From the case studies it appears that some State public transportation divisions are well suited to centralize resources and skills in order to serve the various needs of less intensive urbanized areas and nonurbanized areas. For example, Iowa employs a large number of planners who are detailed to local public transportation agencies for specific programs or projects. Illinois' studies branch in 1980 developed a comprehensive marketing and needs assessment methodology for use by transit operators; the method was tested in an Illinois property. Minnesota's public transit division dispatches members of its small staff to implement demonstration transit projects throughout the State. Under the rubric of "performance audits" associated with its performance based funding formula, Pennsylvania DOT officials perform on-site technical assistance and offer recommendations to transit officials.

These examples illustrate State efforts to take advantage of economies of scale through resource centralization. It is probable that many smaller operators had never had access to these resources and skills until their respective States provided them. Generally, this assistance is not as necessary in large transit operations because the resources in these cases are used full time and are therefore maintained permanently.

Concern for improved management is frequently voiced in the transit industry. States might prove to be instrumental in this area.

A Pennsylvania House Select Committee was mandated in 1979 to investigate the Southeastern Pennsylvania Transit Authority (SEPTA). The investigation involved four areas: (1) Accountability, (2) Financing, (3) Governance-SEPTA's Board of Directors, and (4) Management. The findings were circulated and they served as a basis for recommendations of legislation:

1. SEPTA serves too many masters that are neither accountable for SEPTA nor able to make SEPTA accountable to them.
2. Inadequate and unpredictable funding has led to undercapitalization, poor planning and loss of Federal grants.
3. Transit users and supporters are poorly represented by the structure of the Board and the Board neglects policy making in favor of detrimental interference in management.
4. The entire system has deteriorated since public takeover while costs have increased. SEPTA did not use its operating or capital funding in an efficient and/or timely manner.

The SEPTA study was spurred by chronic "interjurisdictional" conflicts in SEPTA. Only the emergency presented by an advanced state of system decay would have prompted a "home-rule" State such as Pennsylvania to conduct an investigation, especially considering the study's prescriptive tone toward SEPTA's Policy Board. In 1975 Governor Carey of New York instructed his Commissioner of Transportation to study New York City's Metropolitan

Transportation Authority (MTA). The final Report appeared in January, 1980. The study encompassed three broad areas: (1) Structure and responsiveness, (2) Finance, and (3) Operations. The findings were very specific and proved useful, according State officials, in negotiation of the 1980 MTA labor contract. The study was undertaken in a context of cooperation among the State, the City and the MTA. It was financed in part by UMTA. Its authors believe it may set a pattern for future studies.

In sum, states appear to be well suited to centralize many of the resources and skills needed but otherwise not available to small transit operations. Much State transit activity is in the form of technical assistance. At least two states have undertaken important management studies of very large multi-jurisdictional systems.

Rural and Elderly and Handicapped Service Programs

Before passage of the 1974 amendments to the UMT Act, approximately 20 States had public transportation programs. Almost all the remaining States have since joined "the club." Most of those states which established programs since 1974 did so in order to implement Section 16(b)(2) and (after 1978) Section 18 of the Act, i.e., State administered mobility programs to private non-profit organizations for elderly and handicapped persons and the rural and small urban (less than 50K population) areas, respectively. Interviews with State officials support the view that State efforts in these areas were partly induced and partly buttressed by Federal adoptions of these amendments in 1974

and 1978. Much state effort in these areas preceded the Federal laws. The UMTA Act essentially increased States' power to coordinate services.

The UMTA funds available for use under Sections 16(b)(2) and 18 are important for providing the States the financial leverage they need to coordinate existing transportation services for elderly and handicapped persons and for rural residents who need public transportation. These services result from a wide array of Federal, State and local public and private programs. According to State officials, there is considerable waste of resources owing to redundancy of service, excessive deadheading, low occupancy and missed ridesharing opportunities. Many of these and other diseconomies persist because of administrative and statutory boundaries which prohibit coordination and cooperation among programs having diverse missions.

Recently, the UMTA Policy Office conducted an in-depth study of State administration of federal assistance for special services for elderly and handicapped persons--known as the Section 16(b)(2) program. That report is presented separately. That report touches on the State role. But most of the following is derived from the case studies of the overall State role.

Most States have some kind of explicit criteria by which State level selection of projects is conducted. Illinois has developed a set of "criteria" or considerations used by the Division of Public Transportation in project selection that serves as a good illustration of the scope and nature of State involvement in "16(b)(2)". Priority is given to transportation that meets specific functional needs like medical care and employment over more general functions like social and recreational activities. The level of need

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must be determined in two ways: one involving the extensiveness of project benefits; the other involving the process by which the need is determined, e.g., supporting documentation from affected groups and agencies. The degree of service coordination is considered to be very important, especially in relation to the federal rural transit assistance program, Section 18. Services for the general handicapped community take precedence over services that are targeted toward specific groups classified by their handicap. Finally, provisions for management and operations are considered by the State to be critical in the award of funds.

Iowa has established an extensive State presence through two processes. One process is the division of the State into regional offices which are the sole recipients of "16(b)(2) funds". The other process is the requirement that program recipients conform to a regional plan developed by the regional body. In principle, this would appear to give the State a great deal of control in the delivering of service. But as of 1979, only 15 per cent of special services were in conformance with the plan.

State governments administer the Federal non-urbanized area formula grant program (i.e., Section 18) by selecting projects submitted through the Federal Highway Administration (FHWA) in the State program of projects. The Illinois Department of Transportation administers its rural program in a way that illuminates the State role in the Federal rural program.

The Non-Urbanized Area Programs Section of the Illinois Division of Public Transportation administers financial assistance for transit in rural areas and small cities. Federal Section 18 assistance is used for capital and

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operating assistance. State grants are available for up to one-third of operating expenses (just like the urban program).

By the use of third party contracts, recipients of federal Section 16(b)(2) special service capital grants (which must be private non-profit organizations) may use Section 18 funds for operating assistance. A county which receives a Section 18 grant for operating expenses, for example, may in turn contract with a private non-profit service provider. The State of Illinois' strategy endorses such arrangements.

In Illinois the federal requirement that funds be "fairly and equitably" distributed is achieved by means of an explicit allocation method. A portion of the States's allocation ($2.9 million in FY 1980) is earmarked for five existing systems. Each year, at least 75% of the Section 18 funds set aside for areas without systems is allocated among regions on the basis of population, square miles of land, and percentage of transportation disadvantaged persons. Any municipality having a population of 20,000 or more or any county is eligible to apply for Section 18 funds allocated to the region in which it is allocated. Illinois limits federal funding to one-half of operating deficits in order to reserve some funds for supplemental and capital projects.

Grant criteria in Illinois are designed to determine two parameters: need and capability. The first is determined by a judgement on the "quality" of the planning and by the level of the political support--these substantiate

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the level of need. The second parameter, capability, is determined by a State Division of Public Transportation assessment of the proposed provider's operating capabilities. Coordination is one of the subcriteria in the assessment of capability.

Summary

The State share of the non-federal contribution in non-urban areas is as variable as it is in other State transit efforts, from a 2/3ds State share in Pennsylvania, 50 per cent in New York and Massachusetts, 100 percent in Illinois, to complete discretion in Iowa. Like Illinois, the state of Iowa uses a "creative" approach to take advantage of the complementarity between Section 16(b)(2) and Section 18. Six regional (non-profit) transit agencies are Iowa's 16(b)(2) recipients and the remaining 10 small systems which as public bodies are ineligible for 16(b)(2) have become Iowa's only Section 18 recipients--this covers the whole state with specialized service. States vary in their use of Section 18 funds for capital or operating assistance. Maryland grafted Section 18 onto its own rural operating assistance program. Pennsylvania uses the majority of its funds for operating assistance. Until program year (FY) 1982 Iowa used Section 18 exclusively for Federal discretionary (Section 3) projects that already been applied for. New York State shows no preference, leaving the decision to local authorities.

Public transportation for rural areas and specialized transportation for elderly and handicapped persons tend to be intertwined for three reasons. First, the beneficiaries are frequently elderly persons living in rural areas. Secondly, the two programs are implemented by the States. Third, a number of states consciously use the two programs to supplement each other.

The primary issues in both programs is improved coordination of existing service. If Iowa is any guide to other states, only a fraction of existing special services fall under current state "transportation" programs.

APPENDIX 1: STATE AND LOCAL SOURCES

For the purposes of the present paper, a State source or tax is one levied (i.e., legislated) by a State legislative body or its equivalent (e.g., State referendum). A source that is only authorized for levy by a sub-State jurisdiction (e.g., "enabled") is not considered a State tax or source. Reasonable persons may disagree with this line of distinction and it has its own grey areas. For example, California's Transportation Development Act (TDA) tax is earmarked for transit only within the jurisdiction where it is collected, but we consider it a State source--it was levied by the State.

This distinction is of little relevance for comparing State financial efforts; the distinction is highly misleading, in fact. It is useful, however, in specific cases and in the aggregate. In specific cases, an actual State levy is usually (not always) a clear landmark in the development of public support for transit. In the aggregate, the number of States which levy taxes for transit or the aggregate size of the State levy is indicative of the order of magnitude of overall State support. State constitutional revenue articles and traditions are extremely diverse across the fifty States, such that even the notion of "levy" diverges to a remarkable degree among the States. Therefore, we insist upon the distinction, but only for the narrow purposes of this paper. The reader should be skeptical of our omission of States which may provide great support for transit, but which show no State levy or use of general revenues per se.